

## Message Text

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PAGE 01 ROME 00348 01 OF 02 101847Z

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 SAJ-01 IO-13 AGRE-00 /099 W

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R 101756Z JAN 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2093

INFO TREASURY DEPT WASHDC

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

DIA

USMISSION EC BRUSSELS

USMISSION NATO

USMISSION OECD PARIS

AMCONSUL MILAN

AMCONSUL NAPLES

USCINCEUR VAIHINGEN GERMANY

USDOCOSOUTH FOR INTAF

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 348

E.O. 11652: N/A

TAGS: PINT, ELAB, PINR, IT, EFIN

SUBJECT: ITALIAN LABOR CONFRONTS AUSTERITY

REF: ROME 264 AND 20912

1. SUMMARY. THE NATIONAL ASSEMBLY OF UNION OFFICIALS IN ROME JAN. 7-8 OVERWHELMINGLY SUPPORTED NATIONAL LABOR (CCU) LEADERSHIP POLICY (1) TO REJECT THE GOI REQUEST FOR SEMI-ANNUAL INSTEAD OF QUARTERLY COST-OF-LIVING INCREASES, (2) TO STICK TO ITS EARLIER OFFERS TO LOWER LABOR COSTS AND INCREASE PRODUCTIVITY, LIMITED OFFICIAL USE

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PAGE 02 ROME 00348 01 OF 02 101847Z

(3) TO CONTINUE TO PRESS THE GOI FOR PUBLIC INVESTMENT COMMITMENTS TO ENSURE THAT SACRIFICES WOULD LEAD TO PRODUCTION AND EMPLOYMENT RECOVERY RATHER THAN RECESSION, AND (4) TO RESTRAIN COMPANY-LEVEL WAGE DEMANDS IN ORDER TO DEFEND THE COST-OF-LIVING ESCALATOR. LABOR WARNED THE GOI NOT TO TAMPER WITH FREE COLLECTIVE BARGAINING BY UNILATERALLY PROPOSING LEGISLATION TO MODIFY THE LABOR-MANAGEMENT ESCALATOR AGREEMENT,

ALTHOUGH PM ANDREOTTI HAD ALREADY SAID HE WOULD NOT. LABOR WELCOMED ANDREOTTI'S WILLINGNESS TO REEVALUATE LABOR'S OFFERS BEFORE TAKING NEW SOUNDING WITH INTERNATIONAL LENDERS AND REFERRING THE SITUATION TO PARLIAMENT. LABOR IS BEGINNING WORKING MEETINGS WITH THE GOI IN INDIVIDUAL SECTORS AND WILL SEEK MEETINGS WITH THE POLITICAL PARTIES TO PRESS ITS INVESTMENT AND EMPLOYMENT PROPOSALS. IT WILL ALSO RESUME ITS LABOR COST REDUCTION NEGOTIATIONS WITH PRIVATE INDUSTRY. LABOR WILL IMMEDIATELY START GRASS ROOTS EFFORTS TO RESTRAIN COMPANY-LEVEL WAGE DEMANDS, TO MOBILIZE IN SUPPORT OF ITS INVESTMENT AND EMPLOYMENT DEMANDS AND TO ORGANIZE ANOTHER NATIONAL ASSEMBLY OF UNION OFFICIALS AND RANK-AND-FILE DELEGATES IN MAY TO RESUME PROGRAMS TOWARD UNIFICATION OF THE THREE CONFEDERATIONS. END SUMMARY.

2. A STRONG, IF GRATUITOUS, WARNING TO THE GOI NOT TO INTRODUCE LEGISLATION ALTERING THE LABOR-MANAGEMENT COST-OF-LIVING WAGE ESCALATOR AGREEMENT WAS THE WARMLY APPLAUDED EMOTIONAL HIGH-POINT OF THE NATIONAL ASSEMBLY OF UNION OFFICIALS HELD IN ROME JAN. 7-8 BY ITALY'S TRI-CONFEDERAL UMBRELLA LABOR FEDERATION, CGIL-CISL-UIL (CCU). UIL SECRETARY GENERAL GIORGIO BENVENUTO, IN HIS INTRODUCTORY REPORT ON BEHALF OF (AND CLEARED BY) THE TRI-CONFEDERAL SECRETARIAT, SAID THE UNIONS WOULD RESPOND TO SUCH UNILATERAL INTERFERENCE WITH FREE COLLECTIVE BARGAINING BY USING ALL THE WEAPONS AT THEIR COMMAND. SUCH GOI ACTION WOULD BE A DEFINITE BREAK WITH THE UNIONS, SAID BENVENUTO, AND WOULD MAKE THE UNIONS ABANDON THEIR POLICY OF AVOIDING DESTABILIZING THE POLITICAL SCENE. BENVENUTO PREDICTED THAT ANDREOTTI LIMITED OFFICIAL USE

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PAGE 03 ROME 00348 01 OF 02 101847Z

GOVERNMENT WOULD NOT SURVIVE SUCH A CONFRONTATIONS. ANDREOTTI HAD ALREADY CLARIFIED THAT HE WOULD NOT PRESENT ANY LEGISLATIVE INITIATIVE TO MODIFY THE ESCALATOR AT THIS TIME, AND COMMUNIST PARTY (CPI) SPOKESMEN HAD ALSO MADE IT CLEAR THEY WOULD OPPOSE SUCH LEGISLATIONS.

3. BENVENUTO EXPLAINED THE OUTCOME OF MEETINGS WITH THE GOI (REFTELS), PROCLAIMING A POLICY OF SACRIFICES WITH CLEAR OBJECTIVES: AUSTERITY AND ANTI-INFLATION EFFORTS MUST LEAD TO RENEWED ECONOMIC EXPANSION, NOT RECESSION. HE NOTED THAT THE CCU HAD REJECTED THE GOI REQUEST FOR SEMI-ANNUAL, RATHER QUARTERLY, COST-OF-LIVING ADJUSTMENTS. HE EMPHASIZED, INSTEAD, THE VALUE OF THE UNION OFFERS (NO COST-OF-LIVING INCREASES IN SEVERANCE PAY IN 1977; ELIMINATION OF SPECIAL MORE-FAVORABLE ESCALATOR SYSTEMS OF SOME CATEGORIES; MORE WORK AND BETTER USE OF FACILITIES THROUGH CONCESSIONS ON HOLIDAYS, VACATIONS, SHIFTS, OVERTIME, ABSENTEEISM AND MOBILITY; AND RESTRAINT OF COMPANY-LEVEL WAGE DEMANDS) AND WELCOMED ANDREOTTI'S PROMISED RECALCULATION OF THEIR VALUE.

A WORKER WITH TWENTY YEARS SERVICE WOULD LOSE ABOUT A MILLION LIRE OF SEVERANCE PAY JUST BY NOT GETTING THE PROJECTED TEN POINT COST-OF-LIVING INCREASE IN FEBRUARY, ILLUSTRATED BENVENUTO. HE EXPRESSED CCU'S DISAPPOINTMENT AT THE MODESTY OF GOI INVESTMENT AND EMPLOYMENT PLANS IN KEY SECTORS, PRESENTED DETAILED CCU PROGRAMS IN THESE AREAS AND SAID LABOR WOULD CONTINUE TO PRESS FOR ADEQUATE EFFORTS TO REACCELERATE ITALIAN PRODUCTION AND EMPLOYMENT, IN SECTORAL MEETINGS WITH THE GOI THIS WEEK, IN TALKS WITH PRIVATE INDUSTRY (CONFINDUSTRIA), IN MAJOR COMPANY-LEVEL NEGOTIATIONS IN PUBLIC AND PRIVATE SECTORS, AND, ABOVE ALL, IN A NEW ROUND OF CONSULTATIONS WITH POLITICAL PARTIES.

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PAGE 01 ROME 00348 02 OF 02 101912Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03 NSAE-00  
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05  
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SIL-01 OMB-01 SAJ-01 IO-13 AGRE-00 /099 W  
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R 101756Z JAN 77  
FM AMEMBASSY ROME  
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INFO TREASURY DEPT WASHDC  
AMEMBASSY BONN  
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LIMITED OFFICIAL USE SECTION 2 OF 2 ROME 348

E.O. 11652: NA  
TAGS: PINT, ELAB, PINR, IT, EFIN  
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4. IN ORDER TO MAKE LABOR'S EFFORTS AND PROMISES CREDIBLE, BENVENUTO EMPHASIZED, SPEAKING FOR THE CCU SECRETARIAT, AND IN ORDER NOT TO REWARD A PRIVILEGED FEW AT THE COST OF REDUCED EMPLOYMENT FOR THE MANY, CCU'S POLICY OF AVOIDING GENERAL WAGE INCREASE DEMANDS AT THE COMPANY LEVEL MUST BE LIMITED OFFICIAL USE

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PAGE 02 ROME 00348 02 OF 02 101912Z

PUT INTO EFFECT. HE MADE SPECIFIC REFERENCE TO MAJOR NEGOTIATIONS ABOUT TO BEGIN AT FIAT, MONTEDISON, IRI AND ENI. CGIL SECRETARY GENERAL LUCIANO LAMA, SUMMING UP AT THE ASSEMBLY' SEND, REITERATED BENVENUTO'S CALL FOR STRICT RESTRAINT OF COMPANY-LEVEL WAGE DEMANDS IN EVEN STRONGER TERMS, REMARKING THAT WAGE DEMANDS ALREADY PROPOSED FOR THESE UPCOMING NEGOTIATIONS WOULD HAVE TO BE REDUCED IF THE UNIONS WERE TO HAVE CREDIBILITY AT THE POLITICAL LEVEL.

5. IN THE MAJORITY OF OTHER SPEECHES AND IN THE LOPSIDED VOTE (15 OUT OF ABOUT 2,000 AGAINST, 77 ABSTAINED) ON THE FINAL COMMUNIQUE APPROVING THE CCU SECRETARIAT REPORT PRESENTED BY BENVENUTO, THE UNION OFFICIALS PRESENT RALLIED AROUND AND PRESENTED A NEARLY-UNANIMOUS FRONT, ALTHOUGH MOST EMPHASIZED THE DEMANDS RATHER THAN THE SACRIFICES. SUCH UNANIMITY WAS EXPECTED, BECAUSE THIS ASSEMBLY, UNLIKE EARLIER ONES, CONSISTED NEARLY EXCLUSIVE OF FULL-TIME UNION OFFICIALS, NOT OF DIRECTLY-CHOSEN RANK-AND-FILE REPRESENTATIVES. NEVERTHELESS, IT DEMONSTRATED CONSIDERABLE UNION UNITY IN AN ADVERSE SITUATION. THE FINAL COMMUNIQUE STRESSED THE DEFENSE OF COLLECTIVE BARGAINING FROM GOI INTERFERENCE, THE VALUE OF SACRIFICES OFFERED BY THE UNIONS AND UNION DEMANDS FOR GOI PLANS FOR ECONOMIC DEVELOPMENT. IT ENDORSED THE NEED FOR COMPANY-LEVEL WAGE RESTRAINT, BUT ONLY WITH AN OBLIQUE REFERENCE. THE COMMUNIQUE CALLED FOR MEETINGS WITH THE POLITICAL PARTIES TO PRESENT CCU'S PROGRAM AND SEEK COOPERATION IN REFOCUSING GOI ECONOMIC POLICIES.

6. THE COMMUNIQUE ALSO FORESEES LOCAL LEVEL ASSEMBLIES AND A MEETING OF THE CCU EXECUTIVE COMMITTEE TO PREPARE FOR ANOTHER NATIONAL CONFERENCE IN MAY, BEFORE THE CONGRESSES OF THE THREE CONFEDERATIONS, THIS TIME OF RANK-AND-FILE REPRESENTATIVES AS WELL AS UNION OFFICIALS ONLY TO MOBILIZE THE MOVEMENT BEHIND ECONOMIC DEVELOPMENT, BUT ALSO TO ADVANCE UNION UNITY, AND TO CONSOLIDATE THE STRUCTURE AND PROCESS OF UNIFICATION OF THE THREE CONFEDERATIONS BUT WITHOUT ARTIFICIAL TIMETABLES. IN THIS REGARD, ONE NOTABLE ABSENCE FROM THE ASSEMBLY WAS CISL'S LARGEST

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PAGE 03 ROME 00348 02 OF 02 101912Z

SINGLE CATEGORY UNION, THE AGRICULTURAL WORKERS (FISBA), WHICH OBJECTS TO THE UNIFICATION PROCESS AND SPECIFICALLY TO SUCH "UNOFFICIAL" NATIONAL ASSEMBLIES WHICH FISBA FEELS USURP THE FUNCTION OF THE NORMAL STRUCTURE OF THE UNIONS AND CONFEDERATIONS. FISBA AND ITS SEC GEN. PAOLO SARTORI ALSO SUPPORT A MORE GENEROUS OFFER OF UNION SACRIFICES TO CONFRONT THE ITALIAN ECONOMIC AND FINANCIAL CRISIS.

7. COMMENT. THE COMPLEX SERIES OF NEGOTIATIONS SEEKING TO LEAD THE UNIONS INTO GREATER SACRIFICES TO REDUCE THE COST OF LABOR THROUGH ADOPTION OF SEMI-ANNUAL INSTEAD OF QUARTERLY COST-OF-LIVING ADJUSTMENTS SEEMS TO HAVE REACHED A STALEMATE. HOWEVER, THE ANDREOTTI GOVERNMENT AND THE UNIONS HAVE CAREFULLY AVOIDED A BREAK. GOI-CCU NEGOTIATIONS CONTINUE THIS WEEK ON INVESTMENT PLANS IN VARIOUS SECTORS, WHILE THE GOI ADD OTHERS RECALCULATE AND DEBATE THE VALUE OF THE UNION OFFERS OF SACRIFICE AND EXAMINE OTHER ALTERNATIVE PROPOSALS. AT THE SAME TIME, THE CCU SEEKS NEW MEETINGS WITH THE POLITICAL PARTIES. CCU AND CONFINDUSTRIA ARE EXPECTED TO RESUME THEIR NEGOTIATIONS IN THE NEAR FUTURE ON THE UNION OFFERS. THE GOI, AFTER INFORMALLY CONSULTING THE IMF MAY NOW TRY TO APPROACH LABOR COST REDUCTION THROUGH MEASURES OTHER THAN SEMESTRALIZATION OF COST-OR-LIVING INCREASES. WHILE FINAL OUTCOME OF LABOR COST PACKAGE IS UNCLEAR, MOST LIKELY COMPONENTS (IN ADDITION TO PARTIAL BLOCK OF HIGH INCOME EARNERS' COST-OF-LIVING INCREASES ARE SOME "FISCALIZATION" (GOVERNMENT ASSUMPTION) OF INDUSTRY SOCIAL COSTS AND ELIMINATION OF COST OF LIVING INCREASES IN THESE EMPLOYER CONTRIBUTIONS, PLUS SEEKING UNION AGREEMENT TO SOME ALTERATIONS IN THE ESCALATOR "BASKET".  
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## Message Attributes

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**Original Handling Restrictions:** n/a  
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